

Message Text

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ORIGIN ARA-17

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TRSE-00 IGA-02 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

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E. O. 11652: GDS

TAGS: PFOR, VE

SUBJECT: FY 74-75 VENEZUELAN CASP

1. THE PRE- IG MET APRIL 24 TO REVIEW FY 74-75 VENEZUELAN CASP.

2. THERE WAS GENERAL AGREEMENT THAT THE CASP WAS AN EXCELLENT PRODUCT. IT WAS A COMPREHENSIVE AND SUCCINCT STATEMENT OF PRINCIPAL BILATERAL ISSUES. THERE WERE NO MAJOR SUBSTANTIVE DISAGREEMENTS ALTHOUGH SOME LANGUAGE CHANGES WERE RECOMMENDED.

3. MAJOR ISSUES - THE PRE- IG ENDORSED THE ISSUES RESOLUTION OF ALL FOUR MAJOR ISSUES AND WILL RECOMMEND IG/ ARA
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APPROVAL OF SAME.

4. NON- MAJOR ISSUE NO. 5 (MILITARY ASSISTANCE) - THE PRE- IG NOTED THE VARIANCE BETWEEN THE FMS- CREDIT LEVELS PROPOSED IN THE FY 74 SECURITY ASSISTANCE CONGRESSIONAL PRESENTATION DOCUMENT AND THE HIGHER LEVELS INDICATED IN THE CASP. THE PRE- IG CONSENSUS WAS TO RECOMMEND IG/ ARA ENDORSEMENT OF THE CPD LEVELS FOR FY 74 AND A \$15 MILLION FMS LEVEL FOR FY 75. THE PRE- IG AGREED, HOWEVER, THAT HIGHER LEVELS FOR VENEZUELA WILL BE CONSIDERED IF FUNDS ARE AVAILABLE.

5. THE FOLLOWING ARE PROPOSED TEXTUAL CHANGES:

A) CHANGE POINT 3, PAGE 6: BECAUSE OF HIGH INVESTMENT AND PROCESSING COSTS, THIS OIL COULD NOT BE PROFITABLY PRODUCED FOR THE US MARKET WITHOUT A SPECIAL PREFERENCE UNDER THE US OIL IMPORT PROGRAM.

B) CHANGE POINT 4, PAGE 6: IN RETURN FOR SUCH A PREFERENCE, VENEZUELA WOULD BE WILLING TO CREATE STABLE AND PROFITABLE COMMERCIAL AND FINANCIAL CONDITIONS UNDER WHICH PRIVATE US OIL COMPANIES WOULD BE WILLING TO UNDERTAKE THE VERY LARGE INVESTMENTS NECESSARY TO DEVELOP THESE ENORMOUS RESERVES.

C) CHANGE POINT 5, PAGE 6: VENEZUELA'S READINESS TO ACCORD SIMILAR BENEFITS FOR NEW CONVENTIONAL OIL MIGHT LEAD TO EXPLORATION AND DEVELOPMENT OF THE OIL RESOURCES OF VENEZUELA'S OFFSHORE AREA WHICH, THOUGH NOT AS RICH AS THE PETROLIFEROUS BELT, COULD BE MORE EASILY AND RAPIDLY EXPLOITED.

6. COMMERCE SUGGESTS THAT:

A) UNDER IMPORTANT ASSUMPTIONS, ISSUE 3, PAGE 10 - POINT 4 IS IRRELEVANT AND SHOULD BE ELIMINATED. DEPARTMENT DOES NOT CONCUR SINCE EXPORT INCENTIVES AND COUNTERVAILING DUTIES COULD HAVE A NEGATIVE IMPACT ON US EXPORTS TO VENEZUELA.

B) UNDER RECOMMENDATIONS FOR ISSUE 3, PAGE 11, ADD FOLLOWING: ANY EFFORT BY GOV TO DIVERSIFY IMPORTS BY
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ACCORDING PREFERENCES TO THIRD COUNTRY SUPPLIERS (EXCEPT FOR REGIONAL ARRANGEMENTS -- E. G., LAFTA AND ACM) SHOULD BE PROTESTED AS VIOLATION OF ARTICLE 10 OF THE US- VENEZUELAN RECIPROCAL TRADE AGREEMENT. (IN ACCORDANCE WITH AN EXCHANGE OF DIPLOMATIC NOTES JUNE 26, 1972 FOLLOWING VENEZUELA'S DENUNCIATION OF THE TRADE AGREEMENT DECEMBER 31, 1971, ARTICLE X OF THAT AGREEMENT REMAINS IN FORCE SUBJECT

TO THE EXCEPTIONS PERMITTED BY ARTICLE XV.) WITH VENEZUELA'S GROWING CAPACITY TO IMPORT, THE THRUST OF OUR POLICY SHOULD BE TO ENCOURAGE VENEZUELA TO PURSUE A LIBERAL TRADE POLICY AND TO RATIONALIZE ITS INDUSTRIALIZATION PROGRAM.

7. UNDER OPEN CHANNELS OF COMMUNICATION INTEREST, A-2 OBJECTIVE, PAGE 34, INCLUDE THE CT AS ANOTHER AGENCY IN ADDITION TO MILGP AND DAO. CT EFFORT COULD INCLUDE LEADER GRANTS, BOOK PROGRAMS AND WAR COLLEGE SEMINARS.

8. PRE-IG ENDORSED CU PLANNING LEVELS OF \$150,000 FOR FY 74 AND 75, RATHER THAN THE \$218,000 CASP PROPOSED LEVELS. CT INVITED TO PROVIDE JUSTIFICATION FOR HIGHER CASP LEVELS AND TO RECONCILE THIS WITH \$150,000 LEVEL INDICATED IN FY 74 COUNTRY PLAN PROPOSAL. IF CPP LEVEL ACCEPTABLE, REQUEST YOU INDICATE FUNDING REQUIRED (FOR FY 74 AND 75) BY FOLLOWING COURSES OF ACTION: (1) FAVORABLE DISPOSITION OF VENEZUELAN, PAGE 46, COA A-1-2, B-1-1, C-1-1, C-1-3; (2) CONTROL OF THE MOVEMENT OF PEOPLE, PAGE 54, COA A-3-1.

9. AID:

A) DISCUSSION IN PRE-IG OF AID PHASE OUT CONCLUDED THAT THIS SHOULD BE AS SOON AS POSSIBLE CONSISTENT WITH GOOD MANAGEMENT. ASSUME EMBASSY AGREES THAT PHASE OUT FOR ALL DIRECT BILATERAL ACTIVITY, EXCEPT PUBLIC SAFETY (INCLUDING NARCOTICS), SHOULD BE COMPLETED BY THE END OF FY 1974. LA/DP VIEW WAS THAT IG SHOULD DECIDE TO PHASE OUT PUBLIC SAFETY ACTIVITIES BY END OF FY 1974 AS WELL. OPS FELT THAT DECISION ON PUBLIC SAFETY SHOULD BE DEFERRED AND SITUATION REVIEWED AFTER VENEZUELAN ELECTION. ARA/NC AND LA/DP AGREED THAT NARCOTICS ACTIVITIES WOULD BE CONFIDENTIAL

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EXCEPTION TO BE DEALT WITH SEPARATELY.

B) THE PRE-IG CONSENSUS WAS TO DELETE COA B-2-4 ON PAGE 28, AS (A) THE AID PROGRAM IS BEING DIESTABLISHED AND (B) THE OAS IS PROVIDING CAPITAL MARKETS DEVELOPMENT ASSISTANCE.

10. ACTION: YOUR COMMENTS WILL BE APPRECIATED BY JUNE 12. RUSH

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